

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

-----In the Matter of-----)
)
HAWAIIAN ELECTRIC COMPANY, INC.) DOCKET NO. 03-0166
)
For Approval of a Residential)
Direct Load Control Program, and)
Recovery of Program Costs.)
_____)

DECISION AND ORDER NO. 23181

Filed Dec. 29, 2006
At 12 o'clock P.M.

Karen Higashi
Chief Clerk of the Commission

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DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

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STATE OF HAWAII

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

K. Higashi

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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HAWAIIAN ELECTRIC COMPANY, INC.) Docket No. 03-0166
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For Approval of a Residential) Decision and Order No. 23181
Direct Load Control Program, and)
Recovery of Program Costs.)
_____)

DECISION AND ORDER

By this Decision and Order, the commission approves HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO") request to modify the Residential Direct Load Control ("RDLC") Program to (1) increase the 2007-2009 budget to include higher installation labor costs, and (2) add a new program element, residential central air conditioning, in order to help obtain an estimated additional 1.4 megawatts ("MW") of interruptible load.

I.

Background

By Decision and Order No. 21415, filed on October 14, 2004 ("Decision and Order No. 21415"), the commission approved HECO's requests for: (1) approval of its RDLC Program; (2) recovery of its program costs that are accrued through the date that estimated program costs are incorporated into rates as a

result of the next rate case through HECO's Integrated Resource Plan ("IRP") Cost Recovery Provision; and (3) program flexibility as described in the application filed in this docket.

By Decision and Order No. 21725, filed on April 8, 2005, the commission approved HECO's request to modify the eligibility criteria for its RDLC Program to include residential customers that are master metered, as a pilot program, provided that HECO requires its master metered customers participating in the RDLC Program to notify all persons who may have their water heaters disconnected of the potential for such an event to occur.

By Decision and Order No. 22961, filed on October 19, 2006 ("Decision and Order No. 22961"), the commission approved HECO's request to increase the 2006 budget for the RDLC Program, by \$404,550, from \$3,265,410 to \$3,669,960, to respond to an increase in installation labor costs that resulted when the Hawaii State Professional and Vocational Licensing Division ("PVL") ruled that journeymen electricians, rather than apprentice electricians, were required to install water heater load control switches.

On November 22, 2006, HECO filed a letter ("HECO's Letter") requesting commission approval to modify the 2007-2009 budget to account for higher installation labor costs related to

the PVL decision. HECO also requests approval to add a new program element, residential central air conditioning, which would allow HECO to pay residential customers with an eligible air conditioning system a monthly credit of \$5 to allow HECO to control the system. This program element would help HECO obtain an estimated additional 1.4 MW of interruptible load to mitigate the shortfall in reserve capacity identified in HECO's March 6, 2006 Adequacy of Supply report. HECO seeks approval of its request by December 29, 2006, "to help prepare for the rollout of the air conditioning program in early 2007."

On December 28, 2006, the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"), the only other party to this docket, filed a letter stating that it does not oppose approval of HECO's request. According to the Consumer Advocate, HECO's request to increase the 2007-2009 budget to account for increased installation labor costs appears reasonable given the PVL requirement and HECO's projection of a reserve capacity shortfall. Likewise, the Consumer Advocate does not object to approval of the air conditioning program element given the potential reduction of 1.4 MW of interruptible load and HECO's reserve capacity shortfall situation. Finally, the Consumer Advocate states that it does not object to HECO's request to recover the increased equipment installation, distributed equipment and customer

incentive costs through the demand-side management surcharge of the IRP Clause.

II.

Discussion

By Decision and Order No. 21415, the commission stated:

HECO's request to allow the program flexibility described in its Application is approved, provided that it receives commission approval of either an application or a letter agreement describing the modifications to be implemented prior to effectuating any amendments to the pilot program.¹

Included in HECO's requested program flexibility is the "ability to exceed a yearly program budget by not more than twenty-five percent."² HECO states that its proposed program modifications "result in a cumulative budget increase of \$205,061 for the program years 2007-2009"³ These modifications represent less than a twenty-five percent yearly program budget increase.

HECO states that its first program modification is to account for higher installation labor costs. As stated above,

¹Decision and Order No. 21415, filed on October 14, 2004, in Docket No. 03-0166, at 14 (Ordering ¶ 4).

²HECO's Application, filed on June 6, 2003, in Docket No. 03-0166, at 27.

³HECO's Letter, filed on November 22, 2006, in Docket No. 03-0166, at 1.

by Decision and Order No. 22961, the commission approved HECO's request to increase the 2006 budget for the RDLC Program by \$404,550 to account for increased installation labor costs resulting from the PVL decision. HECO's first program modification requests "a corresponding budget increase for the remaining years of the RDLC Program."⁴

HECO's second program modification is a proposal "to pay residential customers with an eligible air conditioning system a monthly credit of \$5 to allow HECO to control the system."⁵ HECO states that "[t]he objective of the addition of the air conditioning measure is to provide an additional 1.4 MW of interruptible load to help mitigate HECO's shortfall in reserve capacity between 2006 and at least 2009"⁶ HECO explains that "[u]ntil sufficient generating capacity can be added to the system, HECO will experience a higher risk of generation-related customer outages during this timeframe."⁷ HECO also explains:

This modification does not affect the

⁴HECO's Letter, filed on November 22, 2006, in Docket No. 03-0166, at 1-2.

⁵HECO's Letter, filed on November 22, 2006, in Docket No. 03-0166, at 2.

⁶HECO's Letter, filed on November 22, 2006, in Docket No. 03-0166, at 2.

⁷HECO's Letter, filed on November 22, 2006, in Docket No. 03-0166, at 2.

original purpose of the RDLC program or its underlying principles. The proposed modification is intended to strengthen the program as a resource for meeting capacity requirements. Also, the proposed modification will better serve customers by offering greater value and flexibility, and providing a larger share of HECO's customers the opportunity to participate.⁸

Based upon a review of the record, the commission finds that HECO's request to modify the RDLC Program by increasing its 2007-2009 budget and adding the residential air conditioning element is reasonable and in the public interest. The commission expects that both proposed program modifications will result in benefit-to-cost ratios above 1.0, and that therefore, the RDLC Program will continue to be cost-effective. In addition, the commission is mindful that the RDLC Program is one of HECO's load reduction measures, which are crucial to help mitigate HECO's reserve capacity shortfall. Accordingly, the commission concludes that HECO's request should be approved.

III.

Orders

THE COMMISSION ORDERS:

1. HECO's request to modify the RDLC Program to (1) increase the 2007-2009 budget to account for higher installation labor costs, and (2) add a new program element, residential

⁸HECO's Letter, filed on November 22, 2006, in Docket No. 03-0166, at 2.

central air conditioning, in order to help obtain an estimated additional 1.4 MW of interruptible load, is approved.

2. HECO's request to recover the increased equipment installation, distributed equipment and customer incentive costs through the DSM surcharge of the IRP Clause, is also approved.

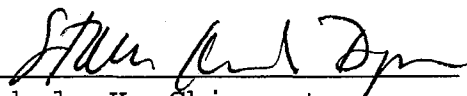
DONE at Honolulu, Hawaii DEC 29 2006.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By: 
Carlito P. Caliboso

By: 
John E. Cole, Commissioner

APPROVED AS TO FORM:

for 
Nichole K. Shimamoto
Commission Counsel
03-0166.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 23181 upon the following parties and participants, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party and participant.

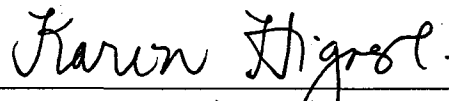
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Karen Higashi

DATED: DEC 29 2006